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Once-high-flying Quespasa chief Jeff Peterson under fire as \$9M gone in online startups

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(Photo: The Republic)

When Internet entrepreneur Jeff Peterson was looking to reboot his career in Arizona a few years ago, the high-school dropout turned to prominent Mesa businessman Ross Farnsworth Jr.

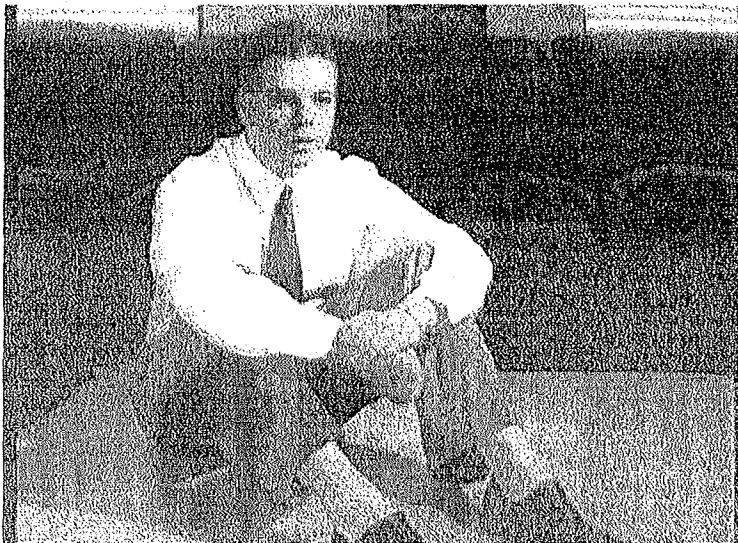
Peterson had founded Quespasa, an online sensation that once reached a market value of \$400 million during the go-go dot-com era. Now, he wanted guidance on what to do next.

Farnsworth, whose surname is well known throughout the East Valley and in Mormon circles, agreed to mentor Peterson, who was in need of a confidence boost, according to Farnsworth's son.

As the older Farnsworth was providing business guidance to Peterson, the student asked the teacher a favor: Would Farnsworth put money into a new internet startup called Mobile that he had founded?

The idea seemed revolutionary.

Mobile, launched in March 2013, would connect workers around the world with employers who could buy their services. A graphic artist in Phoenix, for example, could sell his skills to someone in Paris.



Jeffrey Peterson, founder of Quespasa.com, poses for a portrait in 2001 at his home in north-central Phoenix. (Photo: The Republic)

Peterson, a Santa Barbara, California, native who made his name in the Valley, pitched Mobile as the next Quespasa.

Early Quespasa investors had struck it rich on the bilingual, Latino-focused social media website he'd created in 1997 in Phoenix.

And Peterson had a track record of getting big names to back him.

At Quepasa, Phoenix sports mogul Jerry Colangelo and Denver Broncos star John Elway had been investors. He had had a marketing deal with pop sensation Gloria Estefan, and the company's logo was peppered throughout the inside of Phoenix's downtown baseball stadium.

Former Arizona Gov. Janet Napolitano later appointed him to the Arizona-Mexico Commission's board. Former state Attorney General Terry Goddard put him on a business advisory committee.

Peterson brought that experience to the table when he asked his mentor for new funding.

Farnsworth provided \$400,000 in capital for Mobile.

He wasn't alone.

An elderly Pennsylvania millionaire invested \$2 million. Bob Ramsey, a Tempe businessman, kicked in a quarter-million dollars.

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Peterson, meanwhile, assembled an all-star board and group of advisers who could introduce him to more deep-pocketed investors.

Mobile's board included former U.S. Attorney for Arizona Dennis Burke, who had been Napolitano's chief of staff when she was governor; Marco Lopez, a former director of the Arizona-Mexico Commission and an adviser to Mexican billionaire Carlos Slim; and Ramsey, who founded Southwest Ambulance Co.

According to Mobile financial documents provided by a board member, advisers and consultants included Democratic National Committee chairman and presidential candidate Howard Dean; ex-Phoenix Mayor Phil Gordon; Mexican-American Grammy Award winner Pepe Aguilar; and Hollywood movie-maker Howard "Hawk" Koch.

Peterson, who used his Quepasa wealth to become a major donor to Democrats, sought out Republicans, too.



Rosa Farnsworth Jr. (Photo: The Republic)

A relative of 2012 Republican presidential candidate Mitt Romney and a relative of the Marriott hotel chain owners were put on Mobile's payroll and were paid at least \$151,000 combined, company records show.

With Peterson and other company fundraisers bringing in cash, some Mobile investors parted ways with their individual retirement accounts or 401(k) funds in hopes of making it big with the latest online business sensation.

Along with the storied reputations of Mobile's board and advisers, investors were assured those handling the money were blue chip.

Peterson hired Wilson, Sonsini, Goodrich & Rosati, a Palo Alto, California, law firm that represented Facebook, as the conduit for transferring funds to Mobile. The firm, which monthly transferred tens of thousands of dollars to Mobile, declined numerous requests to comment.

Peterson, who speaks fluent Spanish, also forged a friendship with Silicon Valley businessman David Lopez, father of actress and musician Jennifer Lopez. He persuaded David Lopez to become an adviser, investor and pitch man. And Peterson regularly dropped Jennifer Lopez's name with potential clients to gain their trust, investors said.

In total, Mobile from 2013 to 2016 raised at least \$8.6 million from 83 investors, according to company and U.S. Securities and Exchange Commission records.

Today, however, all the money is gone. By September 2016, the corporation had a zero balance, according to Chase Bank records produced for Burke this year by the company's chief financial officer.

Like Quepasa, which ultimately had a meteoric crash, Mobile has essentially busted.

There is little to show for the investments except a Mobile.co website that includes a handful of blog posts.

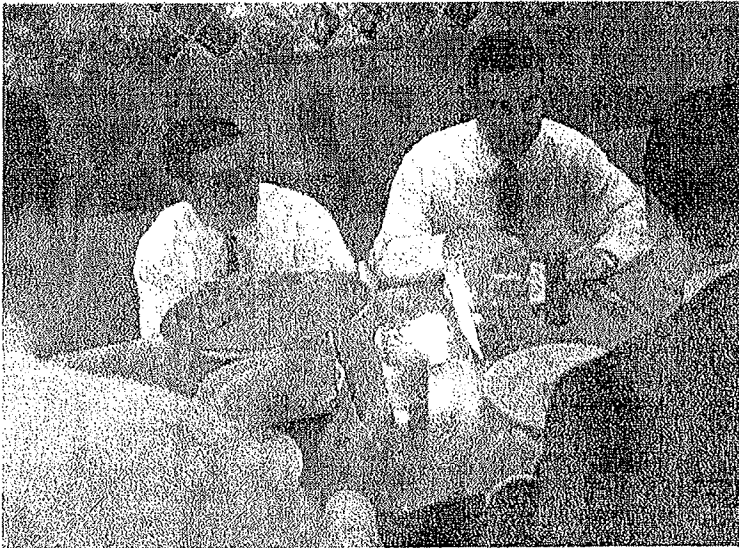
"I didn't raise any money for him, but I introduced him to some people," said David Lopez, who invested \$12,000. "Jeffrey can be pretty persuasive. ... All I wanted to do was find a venue to help Latinos. So I followed that as long as I thought I could help. After a while, I realized we were being snookered."

Todd "Ross" Farnsworth III said his dad, who died from brain cancer in September 2015, also wanted to help Peterson. Yet, the younger Farnsworth contends Peterson took advantage of his father's generosity in summer 2014, just before he was diagnosed with cancer.

"The truth is, he was of diminished capacity of some level going into it," Ross Farnsworth said of his dad's \$200,000 loan and \$200,000 investment. "He typically would not have parted with that amount of money."

Family and friends of the Pennsylvania millionaire, who just turned 101, said he's had memory loss for at least a decade, including during the time he heavily invested in Mobile.

Marco Lopez, no longer a Mobile board member, said Peterson has a lot of explaining to do.



Marco Lopez (right) eats dinner in Phoenix with Jeff Peterson (left) and others in November 2005. (Photo: Michael Chow/The Republic)

"He is now at a point where he has to answer to the investors who believed in him, and he now has nothing to show for it," Marco Lopez said.

Peterson, an Arizona resident from the mid-1990s through 2013, could not be located to be interviewed for this story. Phone messages left on his cellphone and at his last known address in Boston went unanswered. Attempts to reach him through associates and four of his attorneys also failed.

Don Bivens, who has represented Peterson, defended Mobile's business transactions and, while not speaking for Peterson, said the company made a good-faith effort to succeed.

Where's the money?

In August 2014, with investor money flowing in, Peterson's excitement was obvious from an email to company insiders.

Peterson wrote that Mobile would become famous and join the ranks of Twitter and Facebook, adding that Facebook co-founder Mark Zuckerberg "would pay a healthy premium" to acquire Mobile and such a transaction would cause shares of Facebook stock to "move up on the news."

Facebook never acquired Mobile.

But Mobile bank records provided to *The Arizona Republic* show Peterson and other employees spent a fortune trying to play in the same league.

"... seemed in the beginning to have great promise and a lot of good people around it," Ramsey recalled recently. "But as the onion unfolded, it wasn't at all what I thought it was."

The question Ramsey and others have: Where did all the money go?



Dennis Burke, pictured here shortly after being named U.S. Attorney for Arizona in 2009. (Photo: *The Republic*)

Burke, a Mobile board member and a former U.S. Attorney for Arizona, had been asking that question for months. He repeatedly pressed the company's CFO to turn over financial records, which he began reviewing in late summer. Burke then provided *The Republic* copies of many of those records, including internal bank documents for a three-year period.

Those bank records show at least \$2.3 million was transferred to Inter123, a Las Vegas company privately controlled by Peterson. Peterson is listed in Nevada Secretary of State records as Inter123's president, secretary, treasurer and director. The company's website says it specializes in information technology, and it lists Mobile as being part of its portfolio of companies.

Board member Marco Lopez alleges Peterson transferred Mobile money to Inter123 without board authorization. That company had a licensing agreement to handle Mobile's internet domains.

"There was never any mention of money," Marco Lopez said. He added that he quit the board because Peterson would not share financial records with board members.

However, Bivens said the board approved contracts between the two firms. He recently provided *The Republic* copies of a series of contracts from 2013 to 2016 that authorized payments from Mobile to Inter123.

Michael Silberman, Mobile's chief financial officer who worked for Peterson at Quepasa, signed those deals on behalf of Mobile. Peterson or company attorneys Eric Jeide and Ashley Grimes signed on behalf of Inter123.

In any event, Peterson last year put Inter123 into Chapter 11 bankruptcy protection in Las Vegas after two former attorneys who were owed \$158,190 sued him for nonpayment and won court judgments against his company.

Spending details

The Republic reviewed Mobile bank records spanning a period from March 2013 to September 2016. They also show:

- President Justin Billingsley and Silberman were paid \$269,107 and \$236,744, respectively. Billingsley said all financial decisions were approved by the board. Silberman declined to comment.
- At least \$770,759 was paid to Inmuebles Carso, a real-estate company controlled by Mexican billionaire Slim, for what board member Burke said was a Mexican office. He said to his knowledge no Mobile employees ever worked in that building and the rent payment was designed to gain favor with Slim and have him invest in Mobile. Slim never did.
- At least \$564,430 was used to pay the debt on two Chase credit cards. The records do not indicate who controlled those cards.
- At least \$140,000 was spent on corporate housing for three executives, including Peterson and attorney Grimes.
- At least \$120,639 was spent on airline travel, including trips to the Philippines, where one of Mobile's subsidiaries was located. At least \$67,087 was spent on lodging, including luxury hotels; and at least \$40,921 was spent on Expedia, an internet travel service. The total: \$228,647.
- Mobile employees, including Billingsley, used company credit cards to make \$6,210 in ATM withdrawals.
- At least \$3,400 was spent on limousine, town car and Lexus rentals.
- At least \$20,200 was given to the Arizona-Mexico Commission and another \$12,500 to the U.S.-Philippines Society. Peterson had served on both boards.

Board member Burke cried foul.

"The bank statements are what I anticipated — massive spending void of any business sense, with little to none directed to the actual platform and quite a windfall for you, personally," Burke wrote in an Aug. 20 email to Peterson. "You took Mobile investors' money and gave it to your own company with zero accounting of how it would be spent."

Michael Malloy, a former SEC enforcement lawyer, said the financial transfers and spending at Mobile could constitute fraud or theft.

But Malloy, now a law professor at the University of the Pacific in California, said company executives could argue that there was simply mismanagement, leaving investors little chance of being repaid if they sue.

"We are basically talking about stupidity, sneakiness and greed — and you get a different legal response depending on whether it's sneakiness or greed," he said. "If it's stupidity, there's not a lot you can do."

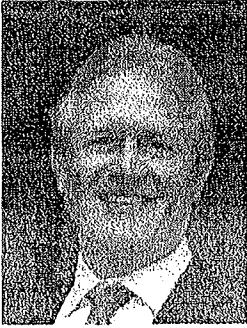
However, Burke accused Peterson in his email of corporate theft, noting investors' money was spent at Men's Wearhouse, Nordstrom Rack, on designer luggage and at \$600-a-night hotels.

Burke recently told *The Republic* that Mobile also loaned Billingsley \$150,000 that was not repaid.

Billingsley responds

Billingsley defended the expenses and said board members never raised issues about them during meetings. Bivens provided documents that he claimed showed Silberman forgave the \$150,000 loan on behalf of Mobile. Burke disputed that claim.

"Board members hold more accountability than I do. They approved every decision," Billingsley said. "I can't imagine how board members can come out and start complaining when they are so damn accountable."



Don Bivens, partner at Snell & Wilmer in Phoenix, said Mobile made a good-faith effort to succeed. (Photo: Snell & Wilmer)

Billingsley told *The Republic* he never witnessed any extravagant spending by Peterson or other Mobile employees.

"Let me be clear, I never spent a penny. I never had a company card," Billingsley said.

Mobile bank records show a credit card designated to "Justin Billingsley" was used for \$12,709 in charges from October 2014 to March 2016, including limousine service and sushi dinners in Danbury, Conn., where Billingsley lives.

Other charges included \$381 at a New York wine store, a \$500 cash withdrawal, and \$713 for a stay at a Phoenix boutique hotel.

Bivens, who also represents Billingsley, was given a copy of credit-card bills. He said his client had no recollection of having access to a company credit card and did not recognize expenses attributed to the card in his name. Bivens added that \$12,000 in business expenses "are hardly a significant event" for a company with Mobile's capitalization.

Keeping Mobile afloat

Peterson's gushing August 2014 email about his company's fundraising success was, in many respects, a sigh of relief: That summer, his company nearly ran out of money, documents show.

Mobile financial records provided by Burke show Farnsworth made his investments at this point. They also indicate Billingsley found an infusion of at least \$2 million from a then-97-year-old Pennsylvania millionaire named Frank Pavlis.

Billingsley and Pavlis were introduced by mutual friends after Pavlis had lost money in financial scams. Billingsley was supposed to make sure Pavlis wouldn't get ripped off again, said Debby Skeans, who has Pavlis' power of attorney.

Mobile records show Pavlis made a \$1 million investment in the company around mid-September 2014, and another \$1 million investment at the end of that month.

Shortly after Pavlis' investment, Mobile paid Billingsley \$50,000 and Peterson's Inter123 \$500,000, records show.

Pavlis also invested more than \$2 million in Key Commercial, an online real-estate investment company that until recently listed its leadership team of Billingsley, Peterson, Silberman and Bivens, a partner at Snell & Wilmer and ex-Arizona Democratic Party chairman. Key also invested in Mobile, records show.

Billingsley said he's still involved with Key, but that the others are "advisers."

Pavlis, now 101, said in a recent telephone interview that he remembered Billingsley visiting him a few years ago in his home and that Billingsley persuaded him to invest, "but I don't remember how much it was."

"I hope you can unravel this for me," Pavlis said.

Billingsley declined to answer questions about Pavlis.

About a year after Pavlis' investment, Mobile again needed money.

Mobile sought new investors through a July 21, 2015, fundraising letter to specific private investors known as a confidential private placement.

In that prospectus, Mobile disclosed that Billingsley was a defendant in an Arizona Corporation Commission case involving LoanGo, co-owned by Billingsley and Peterson. That failed company was designed to provide payday loan services via the internet.

The commission in late October found that Peterson and LoanGo had sold unregistered securities ([/story/money/business/consumers/2017/10/23/state-orders-failed-internet-payday-loan-venture-pay-250-k-defrauded-investors/791422001/](#)). Billingsley was found to have committed fraud as the chief fundraiser.

Though Billingsley disputes the commission's findings, it has ordered him, Peterson and a third officer to repay five elderly investors a combined \$250,000 in restitution, and each faces fines of up to \$15,000.

Neither Mobile nor its attorneys disclosed in the prospectus that Peterson had been part of that case.

Burke, who has previously served as chief deputy in the Arizona Attorney General's Office, said the failure to disclose to potential investors Peterson's involvement in LoanGo could constitute securities fraud.

"Citing the matter doesn't fix the omission," said Burke, adding he was unaware of the private placement offering until October 2017. "It's like mentioning Bonnie but not Clyde."

Reviving Quepasa

As Mobile's problems deepened and significant new money did not materialize, Peterson in 2014 hatched another business: a new Quepasa.

He would use the iconic name to focus on Hispanic businesses in the United States and Latin America. A rebooted Quepasa would provide networking, crowdfunding and business development opportunities.

Investments in this venture were much smaller. Its board included Jennifer Lopez's father, David Lopez, and Mario Diaz, a Phoenix political consultant.

David Lopez said Peterson recruited him after offering a \$50,000 "sponsorship" in February 2014 to Manos Accelerator, a San Jose venture begun by Lopez to promote Latino-led tech startups.

Though David Lopez said he was led to believe Peterson was personally the sponsor, records provided by Burke show the payment came from Mobile's bank account.

Nick Promponas of Chandler said he invested in Quepasa after attending an evening function with wine and hors d'oeuvres that included Peterson and Lopez.

"I'm not a star-struck guy," Promponas said, referring to J.Lo's father. "What I cared about was if someone who is relatively famous, and he (Lopez) was famous by default, would he put money out there and embarrass his daughter with a scandal?"

Investors in both Mobile and Quepasa said they were told their payments could be used as short-term debt repaid with high interest payments or equity that later would be converted to company stock. Once the companies went public on stock exchanges, investors expected to get their money back and potentially more.

However, as with other start-ups and many kinds of investments, investors likely may have known they could lose all their money.

Quepasa attracted more than \$100,000 in investments, according to SEC records.

But bank records and interviews indicate the finances of Mobile and Quepasa also became intertwined.

From September to December 2015, at least \$87,000 was transferred from Quepasa Corp. to Mobile when the latter was having financial problems.

Gordon, the former mayor, said he raised questions. So did Diaz, who says he was kicked off the Quepasa board after only four months for asking Peterson about how investors' money in Quepasa was being spent.

Peterson "is playing catch-me-if-you-can. A lot of the stuff he (Peterson) did was to open up doors to others ... but he burned us all," Diaz said.

Gordon also didn't last long as an adviser.



Former Phoenix Mayor Phil Gordon. (Photo: Nick Oza/The Republic)

He said he raised issues with Peterson about intertwining business arrangements between Mobile and Quepasa, but was denied financial records.

Gordon said Peterson wouldn't listen to his advice, and quit after being pressured to raise money.

Shortly after he resigned, Gordon alleges, Billingsley offered to have Mobile cover an all-expense-paid trip for him and a guest to California's Bay Area. Gordon said he never took the trip. Billingsley said he never made such an offer.

David Lopez said he too eventually became wary because Peterson refused to release Quepasa's financial records.

Lopez finally cut ties with Peterson earlier this year. He said he was annoyed that Peterson kept wanting to use his celebrity daughter's name even though she had no involvement.

Closing up shop

In total, Peterson and his associates raised at least \$9 million from U.S. investors for the three failed businesses: Mobile, a reincarnated Quepasa and LoanGo.

Mobile quit operating in early 2016. Bank records suggest its account ran out of money in September 2016.

Quepasa's business license was revoked this year after failing to file proper public annual reports.

While this [fall's Corporation Commission vote is intended to force restitution \(/story/money/business/consumers/2017/10/23/state-orders-failed-internet-payday-loan-venture-pay-250-k-defrauded-investors/791422001/\)](#) for LoanGo's investors, that won't help Mobile and Quepasa investors.

Farnsworth III said he's appealed to Peterson to get his father's money back to help his widowed mother. He said Peterson refused and even threatened legal action.

"My dad met Jeff Peterson when he was at a low point professionally, and my dad mentored him to give him a boost of confidence," Farnsworth said. "At the end of the day, this is an ugly story about a business venture my dad got into."

And it may be difficult getting money from Billingsley.

Billingsley, who filed for Chapter 7 bankruptcy protection in 2001, owed the Internal Revenue Service at least \$440,372 for unpaid federal taxes from 2007 to 2011, according to liens filed against him in Connecticut. Property records show he has been living there in a 5,300-square-foot home worth nearly \$881,000.

Billingsley said the tax liens are from a prior failed business, and he has a repayment arrangement with the government. An IRS spokesman declined comment.

Investors and some board members plan to turn over the various companies' internal documents, including bank records, to law enforcement, the Corporation Commission, Peterson's Las Vegas bankruptcy trustee and the IRS in hopes of bringing additional investigations and forcing investors' repayment, one board member told *The Republic*.

Peterson has hired Chris Rapp, a Phoenix criminal defense attorney. Rapp declined to comment.

Reach the reporter at craig.harris@arizonarepublic.com or 602-444-8478 or on Twitter at @charisazrep.

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